

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

FEDERAL INSURANCE MITIGATION ADMINISTRATION (FIMA)

APPEAL DECISION

FEMA Flood Insurance Appeal Decision #C25

OVERVIEW

The policyholder filed an appeal on January 2019 alleging her flood insurance carrier (hereinafter “insurer”) improperly denied part of her claim under the Standard Flood Insurance Policy (SFIP)¹ for damages to covered property arising from a flood event dated September 2018.²

In its review, FEMA found the following facts relevant:

- At the time of the loss, the policyholder had \$219,100 in building coverage and \$41,900 in personal property coverage.
- The policyholder filed a claim with her insurer and the insurer assigned an adjuster to inspect the property.
- On September 2018, the adjuster inspected the property. The adjuster measured waterlines of 65 inches on the exterior and 30 inches on the interior of the dwelling. Floodwaters remained at the property for 75 hours.
- The insurer issued the policyholder building payments totaling \$119,421.48. Covered building damages included flood damaged floors, walls, moldings, doors, cabinets, mitigation, and appliances. The insurer issued the policyholder \$34,766.52 for personal property damages.
- On January 2019, the insurer issued the policyholder a denial letter for excessive charges from the mitigation company. The denial letter cited the SFIP’s requirement of direct physical loss by or from flood and the exclusion for other economic loss suffered.
- The policyholder appealed the insurer’s denial. The policyholder writes that she was overcharged for the drying of her house and that she had to use funds intended for repair work to pay the mitigation invoice. The appeal writes the mitigation company claimed that the air movers and dehumidifiers were within FEMA guidelines as long as there was a drying log.

RULES

The SFIP only pays for direct physical loss by or from flood and does not pay for any other economic loss a policyholder may suffer.³

¹ See 44 C.F.R. § 61.13 (2017); Dwelling Form available at 44 C.F.R. pt. 61 App. A(1) [hereinafter “SFIP”].

² The policyholder files this appeal under 44 C.F.R. § 62.20. The appeals process is available after the insurer issues a written denial, in whole or in part, of the policyholder’s claim. The policyholder’s appeal and related documents concerning the appeal, claim, or policy are on file with FEMA, Federal Insurance and Mitigation Administration, Federal Insurance, Policyholder Services Division, Appeals Branch [hereinafter “Appeal File”].

³ See SFIP (II)(B)(12), (V)(A)(7).

ANALYSIS

On appeal, the policyholder disagreed with the insurer's decision to partially deny coverage for excessive mitigation charges.

FEMA's guidelines for restoration and mitigation state that when drying services are done by a mitigation company, a properly completed drying log and an itemized invoice should be submitted to validate the number of drying equipment units used. Here, the insurer reviewed the submitted drying log and determined that the number of air movers, dehumidifiers, and the cost of demolition was excessive and not warranted based on the documented damages.

The SFIP only pays for the direct physical loss by or from a flood and does not provide coverage for any other economic loss a policyholder may suffer. FEMA's review of the charges from the mitigation company finds that the insurer properly denied coverage. The mitigation company charged for contents protection, but all contents had been removed prior to the mitigation company starting the work. The sketching, scoping and writing of the demolition estimate are not costs that are due to a direct physical loss by or from flood. Therefore, these costs billed by the mitigation company are not covered by the SFIP.

The mitigation company billed for 284 units of air movers and 32 units of dehumidifiers. This exceeds what is normally required for structural drying of a flood that remains at the property for 75 hours. FEMA's review of the claim file and mitigation billing did not find evidence that demonstrates the need for this number of structural drying units. The overcharging by the mitigation company is considered an economic loss for which the SFIP does not provide coverage.

FEMA review agrees with the insurer's decision to deny coverage for the excessive billing of the mitigation company.

CONCLUSION

Based on the facts and analysis above, FEMA concurs with the insurer's decision to deny coverage for the excessive billing from the mitigation company. The charges from the mitigation company were not demonstrated as required for the direct physical loss by or from flood and the policy does not cover other economic losses suffered.